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HYFLUX LTD

Company Registration No.: 200002722Z

(Incorporated in the Republic of Singapore)

OFFER OF S$500,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 6.00 PER CENT. (SUBJECT TO RESET/STEP-UP FROM AND INCLUDING 27 MAY 2020 AND EACH SUCCESSIVE DATE FALLING EVERY FOUR YEARS THEREAFTER) PERPETUAL CAPITAL SECURITIES (THE "SECURITIES") TO (1) THE PUBLIC IN SINGAPORE, (2) DIRECTORS, MANAGEMENT AND EMPLOYEES OF THE ISSUER AND ITS SUBSIDIARIES AND (3) INSTITUTIONAL AND OTHER INVESTORS

TAX RULING IN RELATION TO THE SECURITIES

*Unless otherwise defined, all capitalised terms and references used in this Announcement shall have the meanings ascribed to them in the announcements dated 17, 18 and 26 May 2016 (the "**Previous Announcements**") and the Offer Information Statement dated 17 May 2016 (the "**Offer Information Statement**").*

Hyflux Ltd (the "**Issuer**") refers to the Previous Announcements relating to the issue of the Securities and the Offer Information Statement.

Based on the advance tax ruling made by the Inland Revenue Authority of Singapore ("**IRAS**") under Section 108 of the Income Tax Act (Chapter 134 of Singapore) (the "**ITA**"):

(a) IRAS is prepared to regard the Securities as "debt securities" for the purpose of Sections 13(16) and 43N(4) of the ITA and Regulation 2 of the Income Tax (Qualifying Debt Securities) Regulations (the "**QDS Regulations**").

(b) The distributions (including Arrears of Distribution and any Additional Distribution Amount) on the Securities will be regarded as interest. Accordingly, the Securityholders may be entitled to the tax exemption and concession available for qualifying debt securities on the distributions (including Arrears of Distribution and any Additional Distribution Amount), provided that all the governing conditions under the Sections 13(16) and 43N of the ITA and the QDS Regulations are met.

(c) The Issuer would be allowed a tax deduction under Section 14(1)(a) of the ITA on the distributions (including the Arrears of Distribution and any Additional Distribution Amount) on the Securities, provided that –

  (i) such distributions (including the Arrears of Distribution and any Additional Distribution Amount) are incurred by the Issuer on capital (raised through the issuance of the Securities) employed in acquiring the income of the Issuer that is chargeable to tax; and

  (ii) the requirements under Section 14 of the ITA are satisfied and the deduction is not prohibited under any other provisions of the ITA.

(d) The distributions (including the Arrears of Distribution and Additional Distribution Amount) will be deductible only when they are legally due and payable and not based on their scheduled Distribution Payment Dates. If the Issuer prepares its financial accounts in accordance with Financial Reporting Standard 39 and does not make an election under Section 34A(3) of the ITA not to be subject to Section 34A of the ITA, the provisions made under Section 34A of the ITA would apply to the timing of the deduction.

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The advance tax ruling made by the IRAS is based on facts presented to the IRAS and on the IRAS' current interpretation and application of the existing tax laws.

Securityholders are advised to consult their own tax advisers on the tax consequences that may be applicable to them, in Singapore or in their own tax jurisdiction.

By Order of the Board

Lim Poh Fong
Company Secretary
27 September 2016

Important Notice

Investors should note that the Securities are perpetual in nature and, unlike plain vanilla bonds, do not have a fixed redemption date. Investors will only receive all or part of their investment amount if the Securities are (i) redeemed at the option of the Issuer in accordance with the Terms and Conditions, in which case investors should receive the principal amount, together with distribution accrued (if any) or (ii) sold in the open market at the prevailing market price, in which case the investor may incur losses if the proceeds from the sale is less than the original investment. In addition, investors should also note that, as with typical perpetual capital securities, payment of distributions under the Securities may also be deferred for an indefinite period and investors have no recourse to the Issuer if such deferral is made in accordance with the Terms and Conditions.

No communication and no information in respect of this transaction may be distributed to the public in any jurisdiction where a registration or approval is required. No steps have been or will be taken in any jurisdiction (other than Singapore) where such steps would be required. The issue, the subscription for or the purchase of the Securities may be subject to specific legal or regulatory restrictions in certain jurisdictions. The Issuer assumes no responsibility for any violation of any such restrictions by any person.

This Announcement does not constitute or form a part of any offer for sale or solicitation to purchase or subscribe for securities in the United States. The Securities may not be offered, subscribed or sold in the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) absent registration under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements thereof. The Securities have not been and will not be registered under the Securities Act and the Issuer does not intend to make a public offer of its securities in the United States. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the Issuer and will contain detailed information about the Issuer and management, as well as financial statements.

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The information contained in this Announcement is qualified in its entirety by, and should be read in conjunction with, the full text of the Offer Information Statement and the Product Highlights Sheet.